

MORGAN COUNTY

Financial Statements - December 31, 2006

(With Auditors' Report Thereon)

MORGAN COUNTY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-8
 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Governmental Funds Statements	
Balance Sheet	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
Proprietary Funds Statements	
Statement of Net Assets	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets	16
Statement of Cash Flows	17
Statement of Fiduciary Net Assets	18
Notes to Financial Statements	19-27
 Required Supplemental Information	
Notes to Required Supplementary Information	28
Budgetary Comparisons - Major Governmental Funds	
General Fund	29-31
Bond Interest Special Revenue Fund	32
Flood Special Revenue Fund	33
 Supplemental Information	
Non-Major Governmental Funds	
Combining Balance Sheet	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	35
Combined Statement of Changes in Assets and Liabilities - All Agency Funds	36-37
Statement of Taxes Charged, Collected and Distributed	38
Impact Fee Schedule	39
Independent Auditors' Legal Compliance Report	40
Schedule of Findings and Questioned Costs	41
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Report

Honorable Council Members
Morgan County
Morgan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan County, as of and for the year ended December 31, 2006 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morgan County as of December 31, 2006, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2007 on our consideration of Morgan County's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The impact fee information on page 39 is presented for purposes of additional analysis and is not a required part of the County's basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Crane, Christensen + Ambrose P.C.

June 21, 2007

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182
Member Division of CPA Firms, American Institute of Certified Public Accountants

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

INTRODUCTION

The following is a discussion and analysis of Morgan County's financial performance and activities for the year ended December 31, 2006. When read with the notes to the financial statements, this section's financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the County's financial performance. This is the third year that the County has implemented new reporting standards established by the Governmental Accounting Standards Board (GASB). Comparative analysis to previous years results are provided.

HIGHLIGHTS

Government-wide

- The County's net assets increased \$635,329 due to an increase in projected revenues and a decrease in expenses.

Fund Level

- Fund balances of the County's governmental funds increased \$163,315 from the prior year.
- Property tax revenues were \$2.07 million for 2006 which represents a 4% increase over the 2005 amount.
- The County's sales taxes were \$800,000, which is 16% higher than the 2005 number.

Long-term Debt

- The County's long-term debt decreased by \$314,498 in 2006 as payments were made towards the principle net of one new lease for a vehicle for the Community Development Department.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes the County's Basic Financial Statements. The Basic Financial Statements include three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains the required supplementary information, as well as, additional supplementary information and fund data, including combining statements for non-major funds.

The government-wide view of the County's finances is a requirement under the GASB Statement 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and became effective for the County for 2006. Fund financial statements have been reported in the past.

Government-wide Statements – Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities beginning on page 9 comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the County's finances as a whole and are prepared using the full-accrual basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The statement of net assets presents information showing how the County's assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

The government-wide statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Morgan County's governmental activities include general government, public safety, public health, public works, recreation and library services.

The government-wide statements also include information about two component units, Morgan County Fair Board and the Municipal Building Authority.

Fund Financial Statements – Reporting the County's Most Significant Funds

The fund financial statements beginning on page 11 provide detailed information about individual major funds, not the County as a whole. A fund is a group of related accounts that the County uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the County's funds can be divided into three types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Most of the County's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the County's financial position helps determine whether the County has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds – Proprietary funds are presented using the full-accrual basis of accounting. Morgan County uses two different types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County operates its garbage fund as an enterprise fund. Internal service funds account for operations that provide services to other governments on a cost-reimbursement basis. The County's Municipal Building Authority (MBA) operates as an internal service fund.

Fiduciary Funds – Fiduciary funds are account for resources held for the benefit of parties outside the government. Fiduciary funds use full-accrual accounting but are not included in the government-wide statements because the assets in those funds are not available to finance the County's own programs.

Reconciliation Between Government-wide and Fund Statements

The financial statements include schedules on pages 12 and 14 that reconcile the amounts reported for governmental activities on the government-wide statements (full accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements.

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Debt proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

Notes to the Financial Statements

The notes beginning on page 19 provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statement.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The largest component of the County's net assets reflects investments in capital assets (land, buildings, equipment, roads, and other infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Restricted net assets comprise 8% of total net assets and are subject to external restrictions on how they may be used. Unrestricted net assets at December 31, 2006 is \$2,109,129.

Morgan County
Net Assets
2005 and 2006

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Current and Other Assets	\$ 2,528,641	\$ 2,672,166	\$ 104,072	\$ 155,788	\$ 2,632,713	\$ 2,827,954
Capital Assets	\$ 6,053,717	\$ 6,160,970	\$ 9,226	\$ 10,213	\$ 6,062,943	\$ 6,171,183
Total Assets	\$ 8,582,358	\$ 8,833,136	\$ 113,298	\$ 166,001	\$ 8,695,656	\$ 8,999,137
Liabilities	\$ 917,108	\$ 585,260	\$ -	\$ -	\$ 917,108	\$ 585,260
Total Liabilities	\$ 917,108	\$ 585,260	\$ -	\$ -	\$ 917,108	\$ 585,260
Net Assets:						
Invested in capital assets						
Net of related Debt	\$ 5,217,280	\$ 5,638,652	\$ 9,226	\$ 10,213	\$ 5,226,506	\$ 5,648,865
Restricted	\$ 606,769	\$ 655,883	\$ -	\$ -	\$ 606,769	\$ 655,883
Unrestricted	\$ 1,841,201	\$ 1,953,341	\$ 104,072	\$ 155,788	\$ 1,945,273	\$ 2,109,129
Total Net Assets	\$ 7,665,250	\$ 8,247,876	\$ 113,298	\$ 166,001	\$ 7,778,548	\$ 8,413,877

MORGAN COUNTY, UTAH

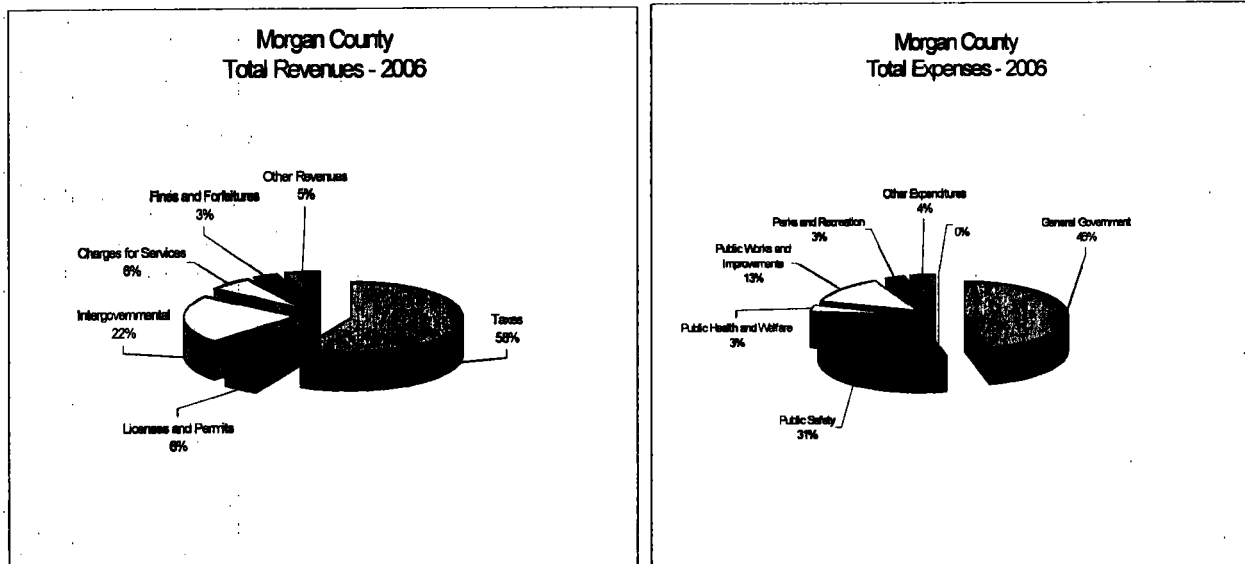
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2006

Changes in Net Assets

The County's combined net assets increased by \$635,329 from the prior year. Net assets of the governmental activities increased \$582,626. The County's business-type activities, the garbage fund, had an increase in net assets of \$52,703.

The following charts summarize the County's revenues and expenses for 2006.



Governmental Activities

Total tax revenues showed moderate increases during 2006. Property taxes edged upward due to continued development of residential growth. Net assets for governmental activities increased this year due mostly to revenues outpacing expenditures.

Morgan County Changes in Net Assets For the Year Ended December 31, 2006

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Revenues						
General Revenues						
Taxes	\$ 2,785,774	\$ 2,911,780			\$ 2,785,774	\$ 2,911,780
Other General Revenues	\$ 500,974	\$ 541,240	\$ 8,350	\$ 20,263	\$ 509,324	\$ 561,503
Program Revenues:						
Charges for Services	\$ 469,864	\$ 496,702	\$ 337,156	\$ 345,692	\$ 807,020	\$ 842,394
Operating Grants	\$ 1,049,065	\$ 994,694			\$ 1,049,065	\$ 994,694
Capital Grants						
Total Revenues	\$ 4,461,603	\$ 4,944,416	\$ 325,938	\$ 365,955	\$ 4,777,541	\$ 5,310,371

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

Expenses

General Government	\$ 2,106,714	\$ 1,995,838			\$ 2,106,714	\$ 1,995,839
Public Safety	\$ 1,497,407	\$ 1,338,583			\$ 1,497,407	\$ 1,338,583
Public Health	\$ 152,282	\$ 154,410			\$ 152,282	\$ 154,410
Public Works	\$ 528,801	\$ 557,218			\$ 528,801	\$ 557,218
Parks and Recreation	\$ 136,064	\$ 141,917			\$ 136,064	\$ 141,917
Other Expenditures	\$ 138,838	\$ 173,193			\$ 138,838	\$ 173,193
Garbage Service			\$ 311,312	\$ 313,252	\$ 313,252	\$ 313,252
Total Expenditures	\$ 4,506,106	\$ 4,361,160	\$ 311,312	\$ 313,252	\$ 4,560,106	\$ 4,674,412
Changes in Net Assets	\$ 188,571	\$ 582,626	\$ 34,184	\$ 52,703	\$ 222,765	\$ 636,329
Net Assets - Beginning (as restated)	\$ 7,476,679	\$ 7,665,250	\$ 79,104	\$ 113,298	\$ 7,555,783	\$ 7,778,548
Net Assets - Ending	\$ 7,665,250	\$ 8,247,876	\$ 113,298	\$ 166,001	\$ 7,555,783	\$ 8,413,877

The table below shows to what extent the County's governmental activities relied on taxes and other general revenues to cover all of their costs. For 2006, these programs generated \$1,490,766 or 35% of their total expenses through charges for services and grants. Taxes and other general revenues covered the balance of the expenses.

Morgan County
Net Cost of Government Activities
For the Year Ended December 31, 2006

	Total Program Expense		Less Program Revenue		Net Program Costs	
	2005	2006	2005	2006	2005	2006
Expenses						
General Government	\$ 2,106,714	\$ 1,995,839	\$ 361,195	\$ 444,661	\$ (1,745,519)	\$ (1,551,178)
Public Safety	\$ 1,497,407	\$ 1,338,583	\$ 730,817	\$ 601,430	\$ (766,590)	\$ (737,153)
Public Health	\$ 152,282	\$ 154,410	\$ 105,994	\$ 113,202	\$ (46,288)	\$ (41,208)
Public Works	\$ 528,801	\$ 557,218	\$ 295,923	\$ 331,473	\$ (232,878)	\$ (225,745)
Parks and Recreation	\$ 136,064	\$ 141,917	\$ -	\$ -	\$ (136,064)	\$ (114,917)
Other Expenditures	\$ 138,838	\$ 173,193	\$ 25,000	\$ -	\$ (113,838)	\$ (173,193)
Total Expenditures	\$ 4,560,106	\$ 4,361,160	\$ 1,518,929	\$ 1,490,766	\$ (3,041,177)	\$ (2,870,394)

Business-type Activities

The garbage service continues to generate sufficient revenues to cover its operating costs. Net income for 2006 was approximately \$53,000. Revenue increased by \$18,509 and expenses increased by \$2,000.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The majority of the increases were the result of new public safety equipment.

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

Long-term Debt

At December 31, 2006, Morgan County had the following long-term outstanding debt associated with governmental activities. There was no long term debt associated with business type activities.

Morgan County
Long-term Liabilities
December 31, 2006

	Governmental Activities	
	2005	2006
Lease Revenue Bonds		
Mtn. Green Fire Station	\$ 264,000	\$ 255,000
Capital Lease Payable		
Sheriff Vehicle Lease	\$ 171,550	\$ 113,851
Zoning Vehicle Lease	\$ 2,238	\$ 14,487
Fire Truck	\$ 153,649	\$ 138,978
General Obligation Bonds		
Library/Senior Center	\$ 245,000	\$ -0-
Compensated Absences	\$ 55,098	\$ 54,719
Total	\$ 891,535	\$ 577,035

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Fund Balances

At December 31, 2006, Morgan County's governmental funds reported combined fund balances of \$2,664,849. The following chart presents the County's 2006 ending balances.

Morgan County
Governmental Fund Balances
For the Year Ended December 31, 2006

	Reserved		Unreserved		Total	
	2005	2006	2005	2006	2005	2006
General Fund	\$ 606,769	\$ 655,883	\$ 931,192	\$ 1,168,937	\$ 1,537,961	\$ 1,822,820
Bond Interest			\$ 443,082	\$ 274,911	\$ 433,082	\$ 274,911
Flood Fund			\$ 279,919	\$ 279,919	\$ 279,919	\$ 279,919
Non-Major Funds			\$ 287,199	\$ 287,199	\$ 229,500	\$ 287,199
	\$ 606,769	\$ 655,883	\$ 2,008,966	\$ 2,008,966	\$ 2,377,737	\$ 2,664,849

General Fund

During 2006, the fund balance in the General Fund increased \$284,859 due to various revenues being higher than anticipated.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's general fund revenues were \$315,175 higher than was anticipated when the budget was adopted. Expenditures were \$135,749 lower than what was budgeted. The net change in fund balance of the general fund was \$284,859.

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Morgan County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the County's finances should be addressed to:

Morgan County Clerk/Auditor
P.O. Box 886
Morgan, UT 84050

MORGAN COUNTY

Statement of Net Assets

December 31, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,577,637	129,371	2,707,008
Accounts receivable	35,212	26,417	61,629
Due from other governments	58,317	-	58,317
Prepaid items	1,000	-	1,000
Capital assets:			
Land and related non-depreciable assets	1,292,343	-	1,292,343
Buildings	4,097,736	-	4,097,736
Depreciable infrastructure and improvements	691,726	-	691,726
Machinery and equipment	3,972,437	127,774	4,100,211
Less accumulated depreciation	(3,893,272)	(117,561)	(4,010,833)
Total capital assets	6,160,970	10,213	6,171,183
Total assets	8,833,136	166,001	8,999,137
Liabilities:			
Accounts payable	906	-	906
Deferred revenue	7,317	-	7,317
Noncurrent liabilities:			
Due within one year	79,323	-	79,323
Due in more than one year	497,714	-	497,714
Total liabilities	585,260	-	585,260
Net assets:			
Invested in capital assets, net of related debt	5,638,652	10,213	5,648,865
Restricted for:			
Class B roads	422,281	-	422,281
Restaurant tax	108,373	-	108,373
Liquor allotment	74,606	-	74,606
Transient room tax	24,768	-	24,768
Tourism tax	25,855	-	25,855
Unrestricted	1,953,341	155,788	2,109,129
Total net assets	\$ 8,247,876	166,001	8,413,877

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Activities

Year Ended December 31, 2006

Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental:				
General government	\$ 1,995,839	365,531	79,130	-
Public safety	1,338,583	21,839	579,591	-
Public health and welfare	154,410	108,702	4,500	-
Public works and improvements	557,218	-	331,473	-
Parks and recreation	141,917	-	-	-
Other expenditures	173,193	-	-	-
Total governmental activities	<u>4,361,160</u>	<u>496,072</u>	<u>994,694</u>	<u>-</u>
Business-type:				
Garbage service	<u>313,252</u>	<u>345,692</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>313,252</u>	<u>345,692</u>	<u>-</u>	<u>-</u>
Total primary government	<u>4,674,412</u>	<u>841,764</u>	<u>994,694</u>	<u>-</u>
General revenues:				
Property tax				
Sales and related taxes				
Total taxes				
Unrestricted interest earned				
Other general revenues:				
Miscellaneous				
Total other general revenues				
Total general revenues, special items and transfers				
Change in net assets				
Net assets - beginning of year				
Net assets - end of year				

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(1,551,178)	-	(1,551,178)
(737,153)	-	(737,153)
(41,208)	-	(41,208)
(225,745)	-	(225,745)
(141,917)	-	(141,917)
(173,193)	-	(173,193)
<u>(2,870,394)</u>	<u>-</u>	<u>(2,870,394)</u>
<u>-</u>	<u>32,440</u>	<u>32,440</u>
<u>-</u>	<u>32,440</u>	<u>32,440</u>
<u>(2,870,394)</u>	<u>32,440</u>	<u>(2,837,954)</u>
2,068,481	-	2,068,481
843,299	-	843,299
<u>2,911,780</u>	<u>-</u>	<u>2,911,780</u>
59,523	8,232	67,755
<u>481,717</u>	<u>12,031</u>	<u>493,748</u>
<u>481,717</u>	<u>12,031</u>	<u>493,748</u>
<u>3,453,020</u>	<u>20,263</u>	<u>3,473,283</u>
582,626	52,703	635,329
<u>7,665,250</u>	<u>113,298</u>	<u>7,778,548</u>
<u>8,247,876</u>	<u>166,001</u>	<u>8,413,877</u>

MORGAN COUNTY

Balance Sheet
Governmental Funds

December 31, 2006

<u>Assets</u>	<u>General Fund</u>	<u>Bond Interest Fund</u>	<u>Flood Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash (note 2)	\$ 1,735,608	274,911	279,919	287,199	2,577,637
Accounts receivable (note 3)	35,212	-	-	-	35,212
Due from other governments	58,317	-	-	-	58,317
Prepaid items	1,000	-	-	-	1,000
	<u>\$ 1,830,137</u>	<u>274,911</u>	<u>279,919</u>	<u>287,199</u>	<u>2,672,166</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Deferred revenue	\$ <u>7,317</u>	-	-	-	<u>7,317</u>
Total liabilities	<u>7,317</u>	-	-	-	<u>7,317</u>
Fund balances:					
Reserve for Class B roads	422,281	-	-	-	422,281
Reserved for restaurant tax	108,373	-	-	-	108,373
Reserved for liquor allotment	74,606	-	-	-	74,606
Reserved for transient room tax	24,768	-	-	-	24,768
Reserved for tourism tax	25,855	-	-	-	25,855
Unreserved	<u>1,166,937</u>	<u>274,911</u>	<u>279,919</u>	<u>287,199</u>	<u>2,008,966</u>
Total fund balances	<u>1,822,820</u>	<u>274,911</u>	<u>279,919</u>	<u>287,199</u>	<u>2,664,849</u>
	<u>\$ 1,830,137</u>	<u>274,911</u>	<u>279,919</u>	<u>287,199</u>	<u>2,672,166</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

December 31, 2006

Total fund balance - governmental funds \$ 2,664,849

Amount reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are
not reported as assets in governmental funds.

These assets consist of:

Land and related non-depreciable assets	\$ 1,292,343	
Buildings	3,747,909	
Depreciable infrastructure and improvements	691,726	
Machinery and equipment	3,972,437	
Accumulated depreciation	<u>(3,839,525)</u>	
Total capital assets		5,864,890

Internal service funds are used by management to
charge the costs of certain activities to individual
funds. The assets and liabilities of those internal
service funds that primarily benefit governmental
entities are included with governmental activities
in the statement of net assets.

40,174

Some general liabilities are not due and payable in the
current period and therefore are not reported in the funds.

Those liabilities consist of:

Leases payable	(267,318)	
Compensated absences and benefits	<u>(54,719)</u>	
Total long-term debt		<u>(322,037)</u>

Total net assets - governmental activities \$ 8,247,876

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended December 31, 2006

	General Fund	Bond Interest Fund	Flood Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,572,585	90,419	-	248,776	2,911,780
Licenses and permits	225,940	-	-	-	225,940
Intergovernmental	965,564	-	-	29,130	994,694
Charges for services	343,865	-	-	-	343,865
Fines and forfeitures	152,207	-	-	-	152,207
Other revenues	174,183	-	-	141,117	315,300
Total revenues	<u>4,434,344</u>	<u>90,419</u>	<u>-</u>	<u>419,023</u>	<u>4,943,786</u>
Expenditures:					
Current:					
General government	1,918,383	-	-	247,701	2,166,084
Public safety	1,348,360	-	-	-	1,348,360
Public health and welfare	141,166	-	-	-	141,166
Public works and improvements	592,750	-	-	-	592,750
Parks and recreation	38,187	-	-	82,090	120,277
Other expenditures	173,193	-	-	-	173,193
Debt service	-	258,590	-	-	258,590
Total expenditures	<u>4,212,039</u>	<u>258,590</u>	<u>-</u>	<u>329,791</u>	<u>4,800,420</u>
Excess (deficiency) of revenues over (under) expenditures	<u>222,305</u>	<u>(168,171)</u>	<u>-</u>	<u>89,232</u>	<u>143,366</u>
Other financing sources (uses):					
Lease proceeds	19,949	-	-	-	19,949
Transfers in	42,605	-	-	-	42,605
Transfers (out)	-	-	-	(42,605)	(42,605)
Total other financing sources (uses)	<u>62,554</u>	<u>-</u>	<u>-</u>	<u>(42,605)</u>	<u>19,949</u>
Net changes in fund balances	284,859	(168,171)	-	46,627	163,315
Fund balances - beginning of year	<u>1,537,961</u>	<u>443,082</u>	<u>279,919</u>	<u>240,572</u>	<u>2,501,534</u>
Fund balances - end of year	<u>\$ 1,822,820</u>	<u>274,911</u>	<u>279,919</u>	<u>287,199</u>	<u>2,664,849</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended December 31, 2006

Net change in fund balance - total governmental funds		\$ 163,315
Amount reported for governmental activities in the statement of activities are different because:		
Government funds report capital outlays as expenditures (\$716,512). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$341,744). Capital outlays exceeded depreciation for the period.		374,768
Adjustments and asset retirements of general government capital assets are not reported in the fund statements but are reflected in the entity-wide statement of activities		(253,446)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		(5,069)
The increases in long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Capital leases	\$ (19,949)	
Compensated absences	<u>(2,980)</u>	(22,929)
Government funds report payments on general long-term liabilities in the fund statements but these transactions are excluded from the entity-wide statement of activities		<u>325,987</u>
Changes in net assets of governmental activities		\$ <u>582,626</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Net Assets
Proprietary Funds

December 31, 2006

	Business-Type Activities - Garbage Enterprise Fund	Governmental Activities - MBA Internal Service Fund
Assets:		
Cash	\$ 129,371	-
Accounts receivable	26,417	-
Building and improvements	-	349,827
Machinery and equipment	127,774	-
Accumulated depreciation	(117,561)	(53,747)
Total assets	<u>166,001</u>	<u>296,080</u>
Liabilities:		
Accounts payable	-	906
Bonds payable	-	255,000
Total liabilities	-	<u>255,906</u>
Net assets:		
Invested in capital assets, net of related debt	10,213	41,080
Unrestricted	<u>155,788</u>	<u>(906)</u>
Total net assets	<u>\$ 166,001</u>	<u>40,174</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year Ended December 31, 2006

	Business-Type Activities - Garbage Enterprise Fund	Governmental Activities - MBA Internal Service Fund
Operating revenues:		
Charges for services	\$ 345,692	-
Miscellaneous	<u>12,031</u>	<u>15,600</u>
Total operating revenues	<u>357,723</u>	<u>15,600</u>
Operating expenses:		
Personnel services	10,395	-
Contractual services	293,328	-
Materials and supplies	4,890	-
Depreciation	<u>4,639</u>	<u>14,069</u>
Total operating expenses	<u>313,252</u>	<u>14,069</u>
Operating income	<u>44,471</u>	<u>1,531</u>
Non-operating revenues (expenses):		
Interest revenue	8,232	-
Interest expense	<u>-</u>	<u>(6,600)</u>
Total non-operating revenues (expenses)	<u>8,232</u>	<u>(6,600)</u>
Change in net assets	52,703	(5,069)
Net assets - beginning of year	<u>113,298</u>	<u>45,243</u>
Net assets - end of year	<u>\$ 166,001</u>	<u>40,174</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Cash Flows
Proprietary Funds

Year Ended December 31, 2006

	Business-Type Activities - Garbage Enterprise Fund	Governmental Activities - MBA Internal Service Fund
Cash flows from operating activities:		
Cash received from customers	\$ 345,414	-
Cash received from other activities	12,031	15,600
Cash payments for payroll and benefits	(10,395)	-
Cash payments for goods and services	<u>(298,218)</u>	<u>-</u>
Net cash provided by operating activities	<u>48,832</u>	<u>15,600</u>
Cash flows from investing activities:		
Interest earned on cash deposits	<u>8,232</u>	<u>-</u>
Net cash provided by investing activities	<u>8,232</u>	<u>-</u>
Cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Cash payments for property and equipment purchases	(5,626)	-
Interest paid	-	(6,600)
Payment on debt	<u>-</u>	<u>(9,000)</u>
Net cash used for capital and related financing activities	<u>(5,626)</u>	<u>(15,600)</u>
Net increase in cash and cash equivalents	51,438	-
Cash and cash equivalents - beginning of year	<u>77,933</u>	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ 129,371</u>	<u>-</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 44,471	1,531
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,639	14,069
Increase in accounts receivable	(278)	-
Increase in accounts payable	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 48,832</u>	<u>15,600</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY
Statement of Fiduciary Net Assets
Year Ended December 31, 2006

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ <u>543,224</u>
Total assets	\$ <u><u>543,224</u></u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 238,157
Due to other governmental entities	<u>305,067</u>
Total liabilities	\$ <u><u>543,224</u></u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Notes to Financial Statements

December 31, 2006

(1) Summary of Significant Accounting Policies

Morgan County is incorporated under the constitutional provisions of the State of Utah. The County operates under a council form of government. It provides the following services as authorized by its charter: public safety, public health, highways and streets, sanitation, social services, culture-recreation, public improvements, judicial services, planning and zoning, libraries, and general administrative services. The financial statements of Morgan County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present Morgan County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units:

Morgan County Fair Board - The Morgan County Fair Board (Fair) is financially accountable to the County Commission. The Fair is reported as if it were part of the primary government because it was established for the benefit of County residents.

Municipal Building Authority of Morgan County - The Municipal Building Authority (Authority) is governed by the County Council. Although it is legally separate from the County, the Authority is reported as if it were part of the primary government because its sole purpose is to issue revenue bonds for construction of buildings which are leased by the County.

B. Government-Wide and Fund Financial Statements

The County's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the County as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The County does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2006

(1) Summary of Significant Accounting Policies - Continued

Governmental Fund Types:

General fund - The general fund is the general operating fund of the County. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special revenue funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The County's Flood/Disaster, Flood, Health Services, Mineral Leases, Library, Impact Fees, Fair and Bond Interest Funds are reported as special revenue funds.

Capital projects funds - These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

Proprietary Fund Types:

Enterprise fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County operates its garbage fund as an enterprise fund.

Internal service fund - Account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fiduciary Fund Types:

Agency fund - Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or funds. Agency funds held by the County include the treasurer's tax collection fund, the circuit court fund and several miscellaneous agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Accounting

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property and sales taxes are considered "available" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All other governmental fund revenue is recognized if it will be available within a one-year period. Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue, charges for services and sales taxes collected and held by the state at year-end on behalf of the County.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2006

(1) Summary of Significant Accounting Policies

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The County applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Counties" by the Morgan County Council on or before December 15th for the following fiscal year which begins on January 1. Budgets may be increased by resolution of the County Commission at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The County follows Uniform Fiscal Procedures for Counties as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at fiscal year end.

During the year, two supplemental appropriations were made to the County's budget for a total of \$337,266.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Equipment and machinery	5-20 years
Other improvements	10-30 years

F. Reservations of Fund Balance/Retained Earnings

The County is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balances are for class "B" road revenue, restaurant tax, liquor tax, transient room tax and tourism tax.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for Morgan County are regulated by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7i, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the County's exposure to various risks related to its cash and investment activities.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2006

(2) Deposits and Investments - Continued

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be recovered. The County's policy for managing custodial credit risk is to comply to the Money Management Act. The Act requires all deposits of County funds to be in a *qualified depository*, as defined as a financial institution whose deposits are insured by an agency of the federal government and which is certified by the Utah State Commissioner of Financial Institutions as meeting the requirements of the Act and complying to rules of the Utah Money Management Council.

The County's deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Association (NCUA) are uninsured and are not collateralized, nor are they required to be collateralized by state statutes. The County's deposits on December 31, 2006 were \$3,558,689, of which \$3,458,689 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. The County does not have a formal policy specific to custodial credit risk of investments. However, general risk is addressed in the adopted Investment Policy. Even though the County has held investments other than those in the Public Treasurers' Investment Pool (PTIF) (investment pool managed by the Utah State Treasurer), such as commercial paper and medium-term notes, no investments outside the PTIF were held by the County during the calendar year 2006.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The County's policy for limiting credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be done only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasurer and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The County is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the elected Utah State Treasurer and staff. It is also subject to the Utah Money Management Act and Utah Money Management Council rules. The PTIF is restricted to public funds of public entities within the State of Utah. The PTIF is not registered with the Securities and Exchange Commission as an investment company, and deposits in the PTIF are not insured or guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees of the PTIF are allocated based on the participants' average daily balances. The value of the PTIF is approximately equal to the value of the pool shares. Following are the County's investments as of December 31, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF (General Account)	\$ 852,082	69 days*	Not rated
PTIF (1996 Bond Account)	4,878	69 days*	Not rated
PTIF (Motor Vehicle Account)	85,495	69 days*	Not rated
PTIF (Treasurer's Tax Account)	<u>5,789</u>	69 days*	Not rated
Total	<u>\$ 948,244</u>		

*Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that the value of an investment will be adversely affected by changes in market investment rates. The County manages exposure to declining value by investing primarily in the PTIF and by complying with the

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2006

(2) Deposits and Investments - Continued

Act. The Act requires the remaining term to maturity of investments may not exceed the period of the availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 265 days or less. Maturities of the County's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County manages this type of risk by compliance with the Act and rules of the Utah Money Management Council. Rule 2 of the council limits investment in certain endowments and funds. Rule 17 of the Council limits investment with a single issuer of commercial paper and corporate obligations to between 4 and 10 percent, depending upon the total dollar amount held in a government's portfolio at the time of the purchase.

(3) Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts. In the general fund the allowance is \$32,051 and in the enterprise fund the allowance is \$1,530.

(4) Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 1,292,343	-	-	1,292,343
Total	<u>1,292,343</u>	<u>-</u>	<u>-</u>	<u>1,292,343</u>
Capital assets being depreciated:				
Buildings	3,742,328	5,581	-	3,747,909
Other improvements	667,054	24,672	-	691,726
Equipment	<u>3,539,624</u>	<u>686,259</u>	<u>(253,446)</u>	<u>3,972,437</u>
Total	<u>7,949,006</u>	<u>716,512</u>	<u>(253,446)</u>	<u>8,412,072</u>
Less accumulated depreciation for:				
Buildings	(969,616)	(79,322)	-	(1,048,938)
Other improvements	(267,572)	(38,283)	-	(305,855)
Equipment	<u>(2,260,593)</u>	<u>(224,139)</u>	<u>-</u>	<u>(2,484,732)</u>
Total	<u>(3,497,781)</u>	<u>(341,744)</u>	<u>-</u>	<u>(3,839,525)</u>
Capital assets being depreciated, net	<u>4,451,225</u>	<u>374,768</u>	<u>(253,446)</u>	<u>4,572,547</u>
Governmental activity capital assets, net	<u>\$ 5,743,568</u>	<u>374,768</u>	<u>(253,446)</u>	<u>5,864,890</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated	\$ 123,048	5,626	(900)	127,774
Less accumulated depreciation	<u>(113,822)</u>	<u>(4,639)</u>	<u>(900)</u>	<u>(117,561)</u>
Capital assets being depreciated, net	<u>9,226</u>	<u>987</u>	<u>-</u>	<u>10,213</u>
Business-type activities capital assets, net	<u>\$ 9,226</u>	<u>987</u>	<u>-</u>	<u>10,213</u>

Capital assets in the statement of net assets also includes the equipment and other depreciable assets, net of accumulated depreciation, for the internal service funds of \$296,080.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2006

(4) Capital Assets - Continued

Depreciation expense of governmental activities was charged to functions as follows:

General Government	\$ 9,798
Public Safety	198,263
Public Health and Welfare	12,804
Public Works and Improvements	99,239
Parks and Recreation	21,640
Depreciation on capital assets of the County's internal service fund is charged to the various functions based on their usage of assets	<u>14,069</u>
Total	<u>\$ 355,813</u>

(5) Lease Revenue Bonds

On July 16, 2002, the County's Municipal Building Authority issued \$289,795 of lease revenue bonds to construct a fire station in Mountain Green, Utah. The facility is being leased to the Mountain Green Fire Protection District under a lease contract between the District and the Municipal Building Authority of Morgan County. The lease revenue bonds will be paid from the proceeds of the capital lease. The bonds carry an interest rate of 2.5% and will be paid off in 2027. Minimum payments on revenue bonds are as follows:

	<u>Principal Payment</u>
2007	\$ 9,000
2008	10,000
2009	10,000
2010	10,000
2011	10,000
2012-2016	56,000
2017-2021	63,000
2022-2026	72,000
2027-2031	<u>15,000</u>
	<u>\$ 255,000</u>

(6) Capital Leases Payable

The County has capital leases included in general long-term debt. The debt is to be paid with general fund revenue. Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at December 31, 2006 are summarized as follows:

<u>Year Ending December 31,</u>	<u>Sheriff Vehicle Leases</u>	<u>Zoning Vehicle Lease</u>	<u>Fire Truck Lease</u>
2007	\$ 58,344	5,460	20,432
2008	58,344	5,460	20,432
2009	6,269	5,460	20,422
2010	-	-	20,432
2011	-	-	20,432
2012-2016	-	-	61,296
Total lease payments	122,957	16,380	163,456
Less amount representing interest	<u>9,106</u>	<u>1,891</u>	<u>24,478</u>
Present value of minimum lease payments	113,851	14,489	138,978
Less current portion	<u>50,570</u>	<u>4,533</u>	<u>15,220</u>
Portion of obligations under capital leases due after one year	<u>\$ 63,281</u>	<u>9,956</u>	<u>123,758</u>

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2006

(7) General Obligation Bonds

On September 1, 1996, the County issued \$2,000,000 in general obligation bonds. The bonds were used to build a new library and seniors center and to upgrade the current county courthouse. The bonds are being repaid by a new tax levy in the library construction fund. The bonds were paid off in 2006.

(8) Changes in Governmental Activity Debt

	Beginning Balance	Additions	Payments	Ending Balance	Amount Due Within One Year
Lease revenue bonds	\$ 264,000	-	9,000	255,000	9,000
General obligation bonds	245,000	-	245,000	-	-
Capital leases	327,437	19,949	80,068	267,318	70,323
Compensated absences	55,098	2,980	3,359	54,719	-
	<u>\$ 891,535</u>	<u>22,929</u>	<u>337,427</u>	<u>577,037</u>	<u>79,323</u>

(9) Compensated Absences, Accumulated Unpaid Vacation, Sick Pay, Compensatory Time

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the government fund that will pay it. The amount of the liability expected to be liquidated with expendable and available financial resources has been shown as a liability in the general fund. The remaining amount not expected to be liquidated with expendable available financial resources is reported in the general long-term debt account group.

(10) Retirement Plans

Plan Description

Morgan County (County) contributes to the Local Governmental Non-contributory and Public Safety Contributory Systems, which are cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Non-Contributory System the County contributes a combined rate of 11.59% of covered salary. The County contributes 22.38% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

The County's contributions to the various systems for December 31, 2006, 2005 and 2004 were as follows:

A. Local Governmental System - Non-contributory

	2006	2005	2004	
	\$ 1,007,663	932,606	796,930	Salary subject to retirement contributions.
	114,297	103,425	82,575	Employer contributions.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2006

(10) Retirement Plans - Continued

B. Pubic Safety - Non-contributory

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	282,883	283,228	260,691	Salary subject to contributions.
	59,013	54,408	46,066	Employer contributions.

C. 401(K) Contributions

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	38,104	33,556	34,761	Employee paid contributions.
	38,241	34,779	25,771	Employer paid for employee contributions.

The above contributions were equal to the required contributions for each year.

(11) Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is involved in various lawsuits at this time. Any possible liabilities as a result of these lawsuits cannot be determined at this point in time.

(12) Risk Management

Morgan County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

(13) Tax Calendar

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-10-3 59-5-4	01/01
County treasurer to settle taxes charged and collected for previous year	59-10-66	03/31
County assessor delivers roll to county auditor	59-5-30	05/15
Tax commission reports value of centrally assessed property to counties	59-6-20	05/25
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property	59-5-6	06/01
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-5-6	06/01
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor	59-9-7	before 06/15
County to set proposed tax rates	59-9-6.3	06/15

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2006

(13) Tax Calendar - Continued

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate	59-5-6	06/15
County auditor to submit levy work sheets and supporting documentation to tax commission		06/15
County treasurer to mail tax notice	59-10-10	11/01
Counties post tentative budget		11/01
County auditor delivers assessment roll with affidavit	59-8-7	11/01
Payment and delinquency date	59-10-26	11/30
Counties adopt final budget		12/15
Delinquency list published	59-10-29	12/31

REQUIRED SUPPLEMENTAL INFORMATION

MORGAN COUNTY

Notes to Required Supplementary Information

December 31, 2006

Budgeting and Budgetary Control

As more fully explained in Note 1 of the Notes to Financial Statements, annual budgets are prepared and adopted before December 31 for the calendar year commencing the following January 1 in accordance with the Uniform Fiscal Procedures Act for Utah Counties. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for all of the County's major funds. Original budgets represent the revenue estimates and spending authority authorized by the County Council prior to January 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the County Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended December 31, 2006

Revenues	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes:				
General property taxes - current	\$ 1,022,799	1,048,824	984,774	(64,050)
Fee in lieu	210,000	210,000	293,650	83,650
Prior year's taxes - delinquent	121,400	121,400	108,875	(12,525)
General sales and use tax	679,979	679,979	800,733	120,754
Restaurant tax	23,927	29,927	32,273	2,346
Transient room tax	1,040	1,040	2,830	1,790
Tourism tax	6,771	6,771	7,463	692
Penalties and interest on delinquent taxes	6,000	6,000	7,872	1,872
Assessment for levying taxes	250,907	172,610	334,115	161,505
Total taxes	<u>2,322,823</u>	<u>2,276,551</u>	<u>2,572,585</u>	<u>296,034</u>
Licenses and permits:				
Conditional use permits	7,500	7,500	15,318	7,818
Business licenses	17,625	17,625	11,307	(6,318)
Building permits and fees	325,300	325,300	195,920	(129,380)
Marriage licenses	800	800	670	(130)
Animal licenses	1,483	1,483	683	(800)
Non-business licenses and permits	2,184	2,184	2,042	(142)
Total licenses and permits	<u>354,892</u>	<u>354,892</u>	<u>225,940</u>	<u>(128,952)</u>
Intergovernmental:				
Federal revenue	28,000	78,000	50,000	(28,000)
State revenue	133,191	203,110	240,861	37,751
Class B revenue	351,256	351,256	331,473	(19,783)
State liquor allotment	10,000	10,000	15,672	5,672
Shared revenue from other governments	218,217	253,217	327,558	74,341
Total intergovernmental	<u>740,664</u>	<u>895,583</u>	<u>965,564</u>	<u>69,981</u>
Charges for services:				
Recording fees	86,894	86,894	119,613	32,719
Planning and zoning	91,000	91,000	93,711	2,711
Ambulance fees	109,063	109,063	108,702	(361)
DLD class fees	-	-	12,818	12,818
Miscellaneous fees	8,026	8,026	9,021	995
Total charges for services	<u>294,983</u>	<u>294,983</u>	<u>343,865</u>	<u>48,882</u>
Fines and forfeitures:				
Court fines	185,646	185,646	152,207	(33,439)
Other revenues:				
Interest earnings	19,590	19,590	59,523	39,933
Rents and leases	60,596	60,596	66,861	6,265
Sundry revenue	31,328	31,328	47,799	16,471
Total other revenues	<u>111,514</u>	<u>111,514</u>	<u>174,183</u>	<u>62,669</u>
Total revenues	<u>4,010,522</u>	<u>4,119,169</u>	<u>4,434,344</u>	<u>315,175</u>

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended December 31, 2006

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
General government:				
Council	\$ 54,997	56,407	56,406	1
District Court	42,247	44,247	43,010	1,237
Justice Court	66,803	66,803	65,300	1,503
Attorney for indigent	16,651	16,651	16,651	-
Microfilming	500	500	351	149
Human resource coordinator	11,451	11,451	11,287	164
Clerk/auditor	116,387	113,987	109,675	4,312
Treasurer	116,137	116,537	116,482	55
Recorder	145,356	175,196	168,669	6,527
Attorney	172,533	172,533	156,025	16,508
Assessor	124,775	124,775	121,814	2,961
Motor vehicles	54,267	54,267	53,508	759
Data processing	167,589	167,589	164,007	3,582
Non-departmental	183,500	230,555	212,601	17,954
Building and grounds	163,837	174,087	174,086	1
Elections	32,000	31,000	24,166	6,834
Planning and zoning	376,470	420,075	424,345	(4,270)
Total general government	<u>1,845,500</u>	<u>1,976,660</u>	<u>1,918,383</u>	<u>58,277</u>
Public safety:				
Sheriff	746,946	793,564	816,726	(23,162)
Records clerk	78,808	79,108	72,812	6,296
Dispatch services	90,860	90,860	90,249	611
Liquor law enforcement	16,100	16,100	5,054	11,046
County fire department	70,326	90,510	90,509	1
Cooperative fire department	96,583	96,583	75,962	20,621
Jail service	60,000	95,000	93,732	1,268
Animal control	81,266	81,266	77,463	3,803
Emergency management	23,300	25,856	25,853	3
Total public safety	<u>1,264,189</u>	<u>1,368,847</u>	<u>1,348,360</u>	<u>20,487</u>
Public health and welfare:				
Ambulance	114,437	140,983	140,982	1
Council on aging	300	300	184	116
Total public health and welfare	<u>114,737</u>	<u>141,283</u>	<u>141,166</u>	<u>117</u>
Public works and improvements:				
Roads and highways	580,320	591,120	577,778	13,342
Weed control	16,750	16,750	14,972	1,778
Total public works and improvements	<u>597,070</u>	<u>607,870</u>	<u>592,750</u>	<u>15,120</u>
Parks and recreation:				
Fairgrounds	16,500	23,100	23,095	5
Fair	600	600	600	-
Rifle range	1,249	1,249	904	345
Recreation	13,588	13,588	13,588	-
Total parks and recreation	<u>31,937</u>	<u>38,537</u>	<u>38,187</u>	<u>350</u>
Other expenditures:				
Airport	10,000	10,000	4,758	5,242
TV tower	4,070	4,670	4,639	31
Extension service	39,716	43,868	43,858	10

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended December 31, 2006

<u>Expenditures - Continued</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other expenditures - continued:				
GIS	\$ 51,565	81,565	53,301	28,264
Economic development	31,738	37,738	29,974	7,764
Shared revenue to other governments	20,000	36,750	36,663	87
Total other governments	<u>157,089</u>	<u>214,591</u>	<u>173,193</u>	<u>41,398</u>
Total expenditures	<u>4,010,522</u>	<u>4,347,788</u>	<u>4,212,039</u>	<u>135,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(228,619)</u>	<u>222,305</u>	<u>450,924</u>
Other financing sources (uses):				
Lease proceeds	-	-	19,949	19,949
Transfers in	-	42,605	42,605	-
Transfers (out)	-	-	-	-
Use of fund balance	-	186,014	-	(186,014)
Total other financing sources (uses)	<u>-</u>	<u>228,619</u>	<u>62,554</u>	<u>(166,065)</u>
Net changes in fund balances	-	-	284,859	284,859
Fund balance - beginning of year	<u>1,537,961</u>	<u>1,537,961</u>	<u>1,537,961</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,537,961</u>	<u>1,537,961</u>	<u>1,822,820</u>	<u>284,859</u>

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Bond Interest Special Revenue Fund

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 261,104	261,104	90,419	(170,685)
Total revenues	<u>261,104</u>	<u>261,104</u>	<u>90,419</u>	<u>(170,685)</u>
Expenditures:				
Current:				
Debt service	261,104	261,104	258,590	2,514
Total expenditures	<u>261,104</u>	<u>261,104</u>	<u>258,590</u>	<u>2,514</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(168,171)	(168,171)
Fund balance - beginning of year	<u>443,082</u>	<u>443,082</u>	<u>443,082</u>	-
Fund balance - end of year	<u>\$ 443,082</u>	<u>443,082</u>	<u>274,911</u>	<u>(168,171)</u>

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Flood Special Revenue Fund

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning of year	279,919	279,919	279,919	-
Fund balance - end of year	\$ 279,919	279,919	279,919	-

SUPPLEMENTAL INFORMATION

MORGAN COUNTY

Combining Balance Sheet
Non-Major Governmental Funds

Year Ended December 31, 2006

<u>Assets</u>	<u>Flood/ Disaster Fund</u>	<u>Health Services Fund</u>	<u>Mineral Lease Fund</u>	<u>Library Fund</u>	<u>Impact Fee Fund</u>	<u>Fair Fund</u>	<u>Library SCC Capital Project</u>	<u>Total</u>
Cash and cash equivalents	\$ 136,271	80,154	32,023	24,092	11,928	2,276	455	287,199
Prepaid items	-	-	-	-	-	-	-	-
Total assets	<u>136,271</u>	<u>80,154</u>	<u>32,023</u>	<u>24,092</u>	<u>11,928</u>	<u>2,276</u>	<u>455</u>	<u>287,199</u>
<u>Liabilities and Fund Balance</u>								
Liabilities	\$ -	-	-	-	-	-	-	-
Fund balance:								
Unreserved	<u>136,271</u>	<u>80,154</u>	<u>32,023</u>	<u>24,092</u>	<u>11,928</u>	<u>2,276</u>	<u>455</u>	<u>287,199</u>
Total liabilities and fund balance	<u>\$ 136,271</u>	<u>80,154</u>	<u>32,023</u>	<u>24,092</u>	<u>11,928</u>	<u>2,276</u>	<u>455</u>	<u>287,199</u>

MORGAN COUNTY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended December 31, 2006

	Flood/ Disaster Fund	Health Services Fund	Mineral Lease Fund	Library Fund	Impact Fee Fund	Fair Fund	Library SCC Capital Project	Total
Revenues:								
Taxes	\$ 14,175	110,971	-	123,630	-	-	-	248,776
Intergovernmental	-	9,348	-	19,782	-	-	-	29,130
Miscellaneous	-	-	27,359	5,216	54,533	53,772	237	141,117
Total revenues	<u>14,175</u>	<u>120,319</u>	<u>27,359</u>	<u>148,628</u>	<u>54,533</u>	<u>53,772</u>	<u>237</u>	<u>419,023</u>
Expenditures:								
General government	593	111,468	-	135,640	-	-	-	247,701
Recreation and public facilities	-	-	30,001	-	-	52,089	-	82,090
Total expenditures	<u>593</u>	<u>111,468</u>	<u>30,001</u>	<u>135,640</u>	<u>-</u>	<u>52,089</u>	<u>-</u>	<u>329,791</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,582</u>	<u>8,851</u>	<u>(2,642)</u>	<u>12,988</u>	<u>54,533</u>	<u>1,683</u>	<u>237</u>	<u>89,232</u>
Other financing sources (uses):								
Transfers in (out)	-	-	-	-	(42,605)	-	-	(42,605)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,605)</u>	<u>-</u>	<u>-</u>	<u>(42,605)</u>
Net changes in fund balances	13,582	8,851	(2,642)	12,988	11,928	1,683	237	46,627
Fund balance - beginning of year	<u>122,689</u>	<u>71,303</u>	<u>34,665</u>	<u>11,104</u>	<u>-</u>	<u>593</u>	<u>218</u>	<u>240,572</u>
Fund balance - end of year	<u>\$ 136,271</u>	<u>80,154</u>	<u>32,023</u>	<u>24,092</u>	<u>11,928</u>	<u>2,276</u>	<u>455</u>	<u>287,199</u>

MORGAN COUNTY

Combined Statement of Changes in Assets and Liabilities -
All Agency Funds

Year Ended December 31, 2006

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Circuit court fund:				
Assets:				
Cash and cash equivalents	\$ <u>6,758</u>	<u>-</u>	<u>-</u>	<u>6,758</u>
Liabilities:				
Due to other governmental units	\$ <u>6,758</u>	<u>-</u>	<u>-</u>	<u>6,758</u>
District court fund:				
Assets:				
Cash and cash equivalents	\$ <u>54,504</u>	<u>49,015</u>	<u>96,394</u>	<u>7,125</u>
Liabilities:				
Due to other governmental units	\$ <u>54,504</u>	<u>49,015</u>	<u>96,394</u>	<u>7,125</u>
Justice court fund:				
Assets:				
Cash and cash equivalents	\$ <u>12,838</u>	<u>9,982</u>	<u>9,212</u>	<u>13,608</u>
Liabilities:				
Due to other governmental units	\$ <u>12,838</u>	<u>9,982</u>	<u>9,212</u>	<u>13,608</u>
Auditor's payroll fund:				
Assets:				
Cash and cash equivalents	\$ (6,385)	384,935	377,783	767
Accounts receivable	<u>6,385</u>	<u>-</u>	<u>6,385</u>	<u>-</u>
Total assets	\$ <u>-</u>	<u>384,935</u>	<u>384,168</u>	<u>767</u>
Liabilities:				
Payroll deductions	\$ <u>-</u>	<u>384,935</u>	<u>384,168</u>	<u>767</u>
Emergency 911 surcharge fund:				
Assets:				
Cash and cash equivalents	\$ <u>66,401</u>	<u>58,143</u>	<u>7,048</u>	<u>117,496</u>
Liabilities:				
Miscellaneous funds held	\$ <u>66,401</u>	<u>58,143</u>	<u>7,048</u>	<u>117,496</u>
Other agency funds:				
Assets:				
Cash and cash equivalents	\$ <u>74,232</u>	<u>101,616</u>	<u>55,954</u>	<u>119,894</u>
Liabilities:				
Miscellaneous funds held	\$ <u>74,232</u>	<u>101,616</u>	<u>55,954</u>	<u>119,894</u>
Treasurer's agency fund:				
Assets:				
Cash and cash equivalents	\$ <u>91,599</u>	<u>6,551,349</u>	<u>6,365,372</u>	<u>277,576</u>
Liabilities:				
Due to other governmental units	\$ <u>91,599</u>	<u>6,551,349</u>	<u>6,365,372</u>	<u>277,576</u>

MORGAN COUNTY

Combined Statement of Changes in Assets and Liabilities -
All Agency Funds - Continued

Year Ended December 31, 2006

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Total - all agency funds:				
Assets:				
Cash and cash equivalents	\$ 299,947	7,155,040	6,911,763	543,224
Accounts receivable	6,385	-	6,385	-
Total assets	<u>\$ 306,332</u>	<u>7,155,040</u>	<u>6,918,148</u>	<u>543,224</u>
Liabilities:				
Due to governmental units	\$ 165,699	6,610,346	6,470,978	305,067
Payroll deductions	-	384,935	384,168	767
Miscellaneous	140,633	159,759	63,002	237,390
Total liabilities	<u>\$ 306,332</u>	<u>7,155,040</u>	<u>6,918,148</u>	<u>543,224</u>

MORGAN COUNTY

Statement of Taxes Charged, Collected and Distributed

Year Ended December 31, 2006

	Current			
	<u>Year-End Value</u>	<u>RDA Value</u>	<u>Adjusted Value</u>	<u>Tax Rate</u>
Taxing Entities:				
Morgan county funds:				
General fund	\$584,449,510	4,622,952	579,826,558	0.1875%
Bonds	584,449,510	4,622,952	579,826,558	0.0000%
Library fund	584,449,510	4,622,952	579,826,558	0.0167%
Tax collection county	584,449,510	4,622,952	579,826,558	0.0300%
Tax collection state	584,449,510	4,622,952	579,826,558	0.0139%
Health fund	584,449,510	4,622,952	579,826,558	0.0150%
Flood - disaster fund	584,449,510	4,622,952	579,826,558	0.0019%
Other entities:				
School district	584,449,510	4,622,952	579,826,558	0.3742%
School basic	584,449,510	4,622,952	579,826,558	0.1515%
Morgan City	126,250,506	4,622,952	121,627,554	0.2122%
Mountain Green fire	129,023,392	N/A	129,023,392	0.0523%
Mountain Green sewer	117,909,547	N/A	117,909,547	0.0195%
Weber Basin Water	584,449,510	4,622,952	579,826,558	0.0178%
Total				

	Other Collections			
	<u>Fee in Lieu</u>	<u>Miscellaneous Collections</u>	<u>Delinquencies Tax</u>	<u>Interest Penalty</u>
Taxing Entities:				
Morgan County funds:				
General fund	\$ 174,466	52,771	108,139	736
Bonds	39,182	(33)	24,300	169
Library fund	15,564	3,998	9,656	66
Tax collection county	27,147	7,182	10,415	94
Tax collection state	15,655	3,325	9,614	68
Health fund	13,936	3,591	8,674	61
Flood - disaster fund	1,810	455	1,141	8
Other entities:				
School district	355,086	89,573	211,259	1,466
School basic	155,644	36,255	96,339	672
Morgan City	44,871	16,369	4,416	113
Mountain Green fire	14,319	3,299	1,942	62
Mountain Green sewer	4,533	1,230	743	25
Weber Basin Water	17,465	4,260	10,533	74
Total	\$ 879,678	222,275	497,171	3,614

<u>Taxes</u>						
<u>Taxes Charged</u>	<u>Unpaid Taxes</u>	<u>Abatements</u>	<u>Other</u>	<u>Total Relief</u>	<u>Taxes Collected</u>	<u>Collection Rate</u>
\$ 1,090,491	29,349	9,353	(7,037)	31,665	1,058,826	97%
27,093	-	-	319	319	26,774	99%
97,144	2,614	833	(626)	2,821	94,323	97%
173,948	4,696	1,497	(1,133)	5,060	168,888	97%
82,723	2,176	693	(500)	2,369	80,354	97%
87,224	2,348	748	(563)	2,533	84,691	97%
11,079	297	95	(71)	321	10,758	97%
2,181,098	58,573	18,667	(13,992)	63,248	2,117,850	97%
891,264	23,714	7,557	(5,568)	25,703	865,561	97%
256,491	8,005	3,902	(8,607)	3,300	253,191	99%
67,844	2,563	721	240	3,524	64,320	95%
23,123	869	224	91	1,184	21,939	95%
104,148	2,786	888	(660)	3,014	101,134	97%
<u>\$ 5,093,670</u>	<u>137,990</u>	<u>45,178</u>	<u>(38,107)</u>	<u>145,061</u>	<u>4,948,609</u>	

MORGAN COUNTY

Impact Fee Schedule

December 31, 2006

Transportation Impact Fee Funds

Balance as of January 1, 2006	\$ -	
Fees collected through 12/31/2006	15,684	
Expenditures through 12/31/2006	<u>12,254</u>	
Balance through 12/31/2006		\$ <u>3,430</u>

Fire Impact Fee Funds

Balance as of January 1, 2006	\$ -	
Fees collected through 12/31/2006	2,475	
Expenditures through 12/31/2006	<u>1,934</u>	
Balance 12/31/2006		\$ <u>541</u>

EMS Impact Fee Funds

Balance as of January 1, 2006	\$ -	
Fees collected through 12/31/2006	480	
Expenditures through 12/31/2006	<u>375</u>	
Balance 12/31/2006		\$ <u>105</u>

Law Enforcement Impact Fee Funds

Balance as of January 1, 2006	\$ -	
Fees collected through 12/31/2006	5,902	
Expenditures through 12/31/2006	<u>4,611</u>	
Balance 12/31/2006		\$ <u>1,291</u>

Regional Park Impact Fee Funds

Balance as of January 1, 2006	\$ -	
Fees collected through 12/31/2006	11,807	
Expenditures through 12/31/2006	<u>9,224</u>	
Balance 12/31/2006		\$ <u>2,583</u>

Community Park Impact Fee Funds

Balance as of January 1, 2006	\$ -	
Fees collected through 12/31/2006	18,185	
Expenditures through 12/31/2006	<u>14,207</u>	
Balance 12/31/2006		\$ <u>3,978</u>



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

Honorable Council Members
Morgan County
Morgan, Utah

We have audited the financial statements of Morgan County for the year ended December 31, 2006 and have issued our report thereon dated June 21, 2007. The County received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Morgan County's financial statements.)

CERT Grant (Department of Public Safety)
Sheriff's Patrol at East Canyon Grant (Department of Natural Resources)
Sheriff's Patrol at Lost Creek Grant (Department of Natural Resources)
DUI Overtime Grant (Department of Public Safety)
Library Grants (Department of Community and Economic Development)
State HLS Program (Department of Public Safety)
Cadastral Mapping Grant (Automotive Geotechnical Reference Center)

Our audit included test work on the County's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	B & C Road Funds
Cash Management	Other General Issues
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Statement of Taxes Charged, Collected and Disbursed
Truth in Taxation and Property Tax Limitations	Assessing and Collecting of Property Taxes
Liquor Law Enforcement	Transient Room Tax
Justice Courts	Impact Fees

The County did not receive any major State grants during the year ended December 31, 2006.

The management of the County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for the instances of noncompliance mentioned above, Morgan County complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Crane, Christensen + Ambrose P.C.

June 21, 2007

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182
Member Division of CPA Firms, American Institute of Certified Public Accountants

MORGAN COUNTY

Schedule of Findings and Questioned Costs

Year Ended December 31, 2006

PROGRAM: BUDGETARY COMPLIANCE

FINDING: The County had two departments whose expenditures exceeded their budgets for the year.

QUESTIONED COSTS: None

RECOMMENDATION: The County should monitor its expenditures to keep them within budgeted amounts.

COUNTY'S REPLY: The overages were the result of spending grant revenues that were new and a capital lease but the budget was not amended to reflect these items. These items will be properly reflected in future periods and the budget amended accordingly.

PROGRAM: JUSTICE COURTS COMPLIANCE

FINDING: Fines were not remitted to the State by the 10th day of the month for four months.

QUESTIONED COSTS: None

RECOMMENDATION: The County should remit amounts due to the State by the 10th day of each month.

COUNTY'S REPLY: The County will remit these amounts more timely in the future.

PROGRAM: OTHER GENERAL COMPLIANCE ISSUES - CHILDREN'S LEGAL DEFENSE FUND

FINDING: The County remitted \$20 less than it collected for the Children's Legal Defense Fund.

QUESTIONED COSTS: None

RECOMMENDATION: The County should remit the shortage of \$20 to the State as soon as possible.

COUNTY'S REPLY: The \$20 shortage will be remitted to the State with the next regular remittance of these funds.

Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

Honorable Council Members
Morgan County
Morgan, Utah

We have audited the financial statements of Morgan County as of and for the year ended December 31, 2006, and have issued our report thereon dated June 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Morgan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Morgan County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by Morgan County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Morgan County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the County Council, others within the entity, and federal and state funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crane, Christensen + Ambrose P.C.

June 21, 2007

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182
Member Division of CPA Firms, American Institute of Certified Public Accountants